

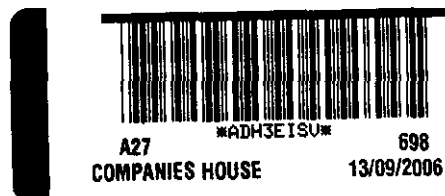
Registered number 287790

Simon Engineering Limited

Directors' report and financial statements

31 December 2005

Clough Lane
North Killingholme
North Lincolnshire
DN40 3LX



Simon Engineering Limited

Directors' report

The Directors present their report and the financial statements of the Company for the year ended 31 December 2005.

Adoption of International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They are the first annual financial statements that comply with IFRS, and therefore IFRS 1 "First-time Adoption of IFRS" has been applied. The financial statements were prepared in accordance with the UK's Generally Accepted Accounting Principles (GAAP) until 31 December 2004.

The switch to IFRS has not resulted in the need to restate any comparative figures, and has had no financial impact on this period's results.

1. Principal activities

The Company's activities comprise the owning of the share capital of a subsidiary company.

2. Business review, operating results and dividends

The results of the year's operations are set out in the attached financial statements.

The loss before taxation for 2005 was £ 2,487,000 (2004: loss of £2,246,000).

The Directors do not recommend the payment of a dividend (2004: £ nil).

3. Directors

The directors who held office during the year were as follows:

T J M Chadwick
A S Keane

The interest of the directors in the shares of the Company's ultimate holding company, Simon Group plc, is shown in the Report of the Directors of that company.

The Directors had no interest at any time during the year in the shares of the Company, nor in the shares or debentures of any other subsidiary undertaking of Simon Group plc.

4. Auditors

The Company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint auditors annually.

By order of the Board

A S Keane
Company Secretary

7 April 2006

Clough Lane
Nth Killingholme
Nth Lincolnshire
DN40 3LX

Simon Engineering Limited

Statement of Directors' responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The Directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose, with reasonable accuracy, at any time, the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Simon Engineering Limited

Independent Auditors' Report to the Shareholders of Simon Engineering Limited

We have audited the financial statements of Simon Engineering Ltd for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Statement of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, as adopted by the EU, of the state of the company's affairs as at 31st December 2005 and of its result for the year then ended; and have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.



St Paul's House
London
EC4M 7BP

MOORE STEPHENS LLP
Registered Auditor
Chartered Accountants

7 April 2006

Simon Engineering Limited

Income Statement

Year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Interest payable to group undertakings		(2,487)	(2,246)
Loss before taxation		(2,487)	(2,246)
Taxation	2	746	674
Loss for the year		(1,741)	(1,572)

The notes on pages 8 to 11 form part of these financial statements.

Simon Engineering Limited
Balance sheet
31 December 2005

	Note	2005 £'000	2004 £'000
Assets			
<i>Non-current assets</i>			
Investments	3	-	-
<i>Current assets</i>			
Loans receivable from group undertakings		674	-
Tax receivable from group undertakings		746	674
		<u>1,420</u>	<u>674</u>
Liabilities			
<i>Non-current liabilities</i>			
Payables	4	(55,993)	(53,506)
		<u>(54,573)</u>	<u>(52,832)</u>
Capital and reserves			
Called up share capital	5	-	-
Retained earnings		(54,573)	(52,832)
Shareholders' funds - equity		<u>(54,573)</u>	<u>(52,832)</u>

The notes on pages 8 to 11 form part of these financial statements.

The financial statements were approved by the Board of Directors on 7 April 2006 and were signed on its behalf by:

A S Keane
Director



Simon Engineering Limited

Statement of changes in equity Year ended 31 December 2005

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 January 2004	-	(51,260)	(51,260)
Loss for the year	-	(1,572)	(1,572)
At 31 December 2004	-	(52,832)	(52,832)
Loss for the year	-	(1,741)	(1,741)
At 31 December 2005	-	(54,573)	(54,573)

Simon Engineering Limited

Notes to the financial statements Year ended 31 December 2005

1. Accounting policies

(i) *Basis of preparation*

This is the first year in which the financial statements have been prepared under, and comply with, International Financial Reporting Standards ("IFRS").

These financial statements have been prepared in accordance with IFRS1, "First-time adoption of IFRS". These financial statements have been prepared in accordance with all new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to the Company's operations and effective for accounting periods beginning on 1 January 2005. The policies set out below have been consistently applied to all the years presented.

At the date of preparation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS6 Exploration and Evaluation of Mineral Resources
- IAS39 The Fair Value Option
- IFRS7 Financial Instruments: Disclosure
- IAS1 Capital Disclosures
- IFRIC4 Determining whether an Arrangement contains a Lease
- IFRIC5 Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC6 Liabilities Arising from Participating in Specific Market – Waste Electrical and Electronic Equipment
- IFRIC7 Applying the Restatement Approach under IAS29.
- IFRIC 8 Scope of IFRS2 "Share Based Payments"
- IFRIC 9 Reassessment of Embedded Derivatives

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company other than the additional matters noted as follows:

1. IAS1: Additional disclosure requirements in connection with the Company's objectives, policies and processes for managing capital and quantitative data about what the Company regards as capital.
2. IFRS7: Additional disclosure requirements to enable users of the financial statements to evaluate the significance of financial instruments and their impact on the Company's financial position and performance. IFRS7 requires more disclosures in relation to all risks arising from financial instruments, including credit risk and liquidity risk. The standard also requires a sensitivity analysis of market risks and how changes for each type of market risk would have impacted profit or loss in the period.

The Company's financial statements were prepared in accordance with the UK's Generally Accepted Accounting Principles (GAAP) until 31 December 2004. In preparing the Company's 2005 financial statements, management has amended certain accounting and valuation methods applied in the GAAP financial statements to comply with IFRS. The switch to IFRS has not resulted in the need to restate any comparative figures, and has had no financial impact on this period's results. The Company has no bank account and therefore a cashflow statement has not been prepared

Simon Engineering Limited

Notes to the financial statements

Year ended 31 December 2005

(ii) *Accounting convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets, and financial assets and financial liabilities (including derivative financial instruments) at fair value through the income statement.

They have also been prepared on a going concern basis, notwithstanding the fact that the Company had a deficit on shareholders' funds of £54,573,000 at 31 December 2005. The directors believe this treatment is appropriate given a letter of support from its parent undertaking to enable the company to meet its liabilities as they fall due.

(iii) *Foreign currency translation*

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in sterling, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at rates prevailing on the balance sheet date.

(iv) *Revenue recognition*

Revenue comprises the fair value of the sale of services, net of value added tax, rebates and discounts. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(v) *Group accounts*

As a wholly-owned subsidiary, the Company is exempt from the requirements to prepare group accounts.

(vi) *Investments*

Investments are shown at cost less provision for impairment

(vii) *Financial instruments*

Financial assets and liabilities are recognised on the company's balance sheet when the company has become a party to the contractual provisions of the instrument.

Simon Engineering Limited

Notes to the financial statements Year ended 31 December 2005

2. Taxation

	2005	2004
	£'000	£'000
UK Corporation tax at 30%	<u>746</u>	<u>674</u>
<i>Tax reconciliation:</i>		
Loss before taxation	<u>(2,487)</u>	<u>(2,246)</u>
Taxation @ 30% - Group tax relief	<u>746</u>	<u>674</u>

3. Fixed asset investment

The Company owns the whole of the issued share capital of the following subsidiary undertaking, which is carried at its cost of £2:

Company	Country of incorporation	Nature of business
Simon UK 1995 Limited	England	Holding company

4. Payables

	2005	2004
	£000	£000
Amounts owed to group undertaking	<u>55,993</u>	<u>53,506</u>

5. Share capital

	Authorised		Issued and partly paid	
	2005	2004	2005	2004
	£	£	£	£
Ordinary shares of £1 each, 5p paid	<u>5,000</u>	<u>5,000</u>	<u>250</u>	<u>250</u>

Simon Engineering Limited

Notes to the financial statements **Year ended 31 December 2005**

6. Related party transactions

- The Company paid interest of £447,000 to Eaton Gate Holdings Ltd, with interest being charged at base rate;
- The Company paid interest of £2,040,000 to Simon UK 1995 Ltd, with interest being charged at base rate;
- Group tax relief.

Amounts owed from Group undertakings are repayable on demand, with interest being charged at the Bank of England base rate and are disclosed on page 6 of the financial statements.

Amounts owed to Group undertakings, with interest at the Bank of England base rate, have no specified repayments terms and are disclosed in note 4 above.

7. Ultimate parent company

- (i) The ultimate parent company is Simon Group plc, a company incorporated in and registered in England and Wales.
- (ii) This company's results are included in the consolidated financial statements of Simon Group plc, which can be obtained from Clough Lane, North Killingholme, North Lincolnshire, DN40 3LX, or from Simon Group Plc's website: www.simongrp.co.uk